

Annual Report

FOOD FAIR STORES, INC.

For the Fiscal Year Ended April 29, 1950



FOOD FAIR

FOOD FAIR

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Quality foods, low prices, shopping comfort and friendly, courteous service are of prime importance if merchandise that won't come back is to be sold to those who will come back. In the cover picture for this Annual Report the artist portrays the contribution which Food Fair's supermarket, merchandise and service make to the well-being of the American housewife.



YEAR ENDED APRIL 29th, 1950

Food Fair Stores, Inc. Annual Report



As we observe the thirtieth anniversary of the founding of the Food Fair business and contemplate accomplishments it is pleasing to reflect that we have successfully met all competitive challenges. But we would err to regard progress achieved as progress assured. More business problems evolve from success than from failure. Actually, success never is finally achieved but always remains a goal. It is with these views that Food Fair on the occasion of its thirtieth birthday anniversary rededicates itself to the challenges, the opportunities and the responsibilities of the years ahead.

GEORGE FRIEDLAND, *President*
Food Fair Stores, Inc.

Highlights 1949-1950

Food Fair last year (52 weeks) surpassed previous high records in practically all phases of the business. Sales reached an all-time high of \$164,625,893 while sales in the country's retail

food stores as a whole declined. The Company's previous top volume was \$142,035,602, in 1948 (53 weeks). Net income of \$4,022,778, best in the Company's history, was equal after preferred

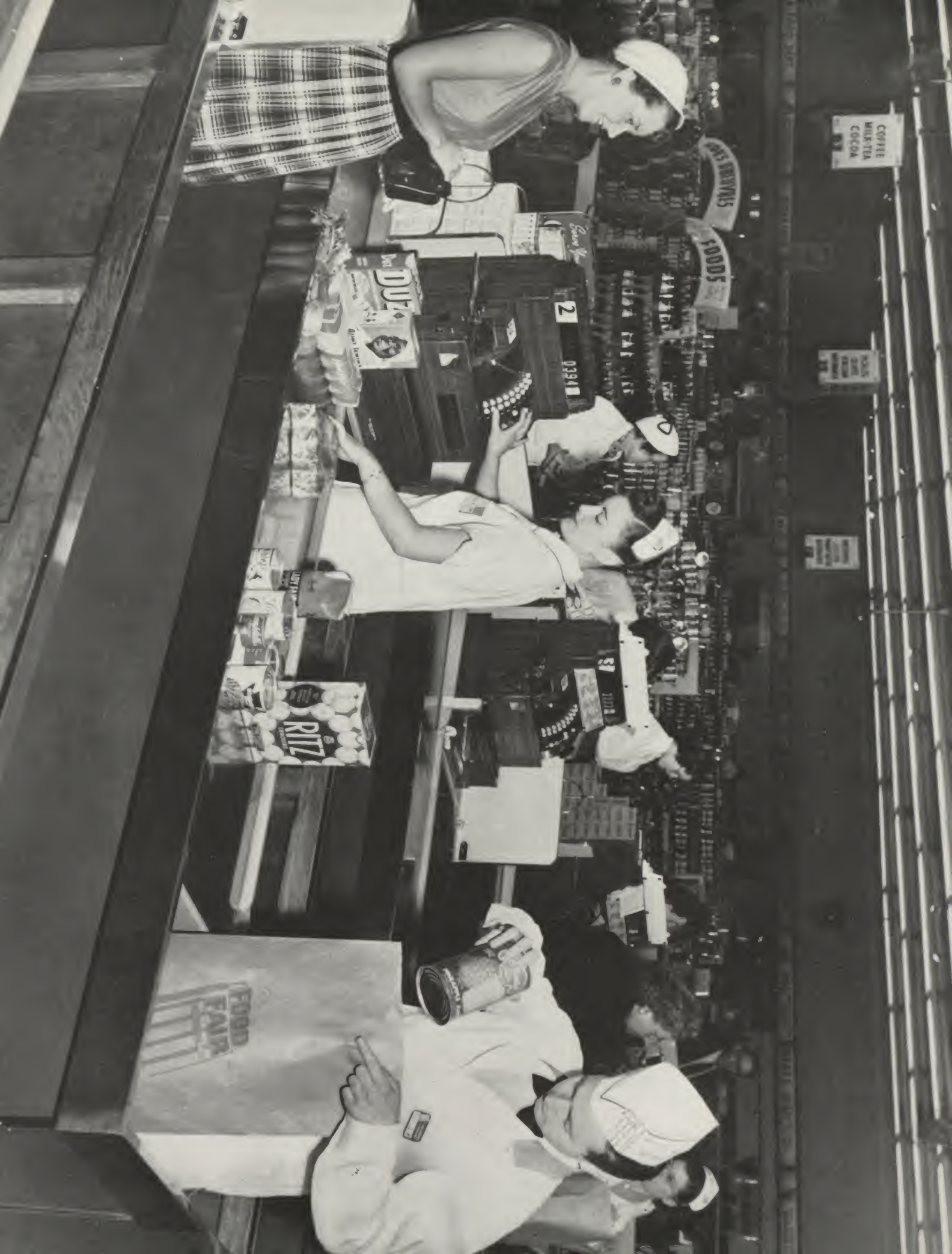
dividend requirements to \$2.11 per share on 1,861,452 shares of common stock. In 1948, adjusted net income of \$2,762,635 was earned, or \$1.44 per share on 1,842,769 common shares. Earnings

per dollar of sales were 2.44 cents. Comparable figure for 1948 was 1.94 cents. The annual

dividend rate on the common stock was increased to 60 cents per share, from 40 cents. In May, early in the new fiscal year, the rate was again advanced, to 80 cents per share. Working capital

amounted to \$15,065,815, a gain of \$5,354,340 during the year. Public financing for the

Company's largest expansion program was completed on a low cost basis.





President's Message

To Our Shareholders:

In the closing week of its fiscal year (52 weeks) ended April 29, 1950 (hereinafter frequently referred to as "last year") Food Fair Stores, Inc. began a four-week celebration of the thirtieth anniversary of the founding of the business. The celebration took the form of an intensive sales promotion campaign throughout the chain.

Starting in 1920, with a total capital of \$300, the company operated a single, small meat market in Harrisburg, Pa. When the 1949-50 fiscal year ended on April 29, 1950, 113 modern self-service supermarkets were operated in 56 cities in seven Atlantic seaboard states extending from

New York to Florida. Executive offices, warehouse facilities, transport equipment and related properties have expanded correspondingly in number and size.

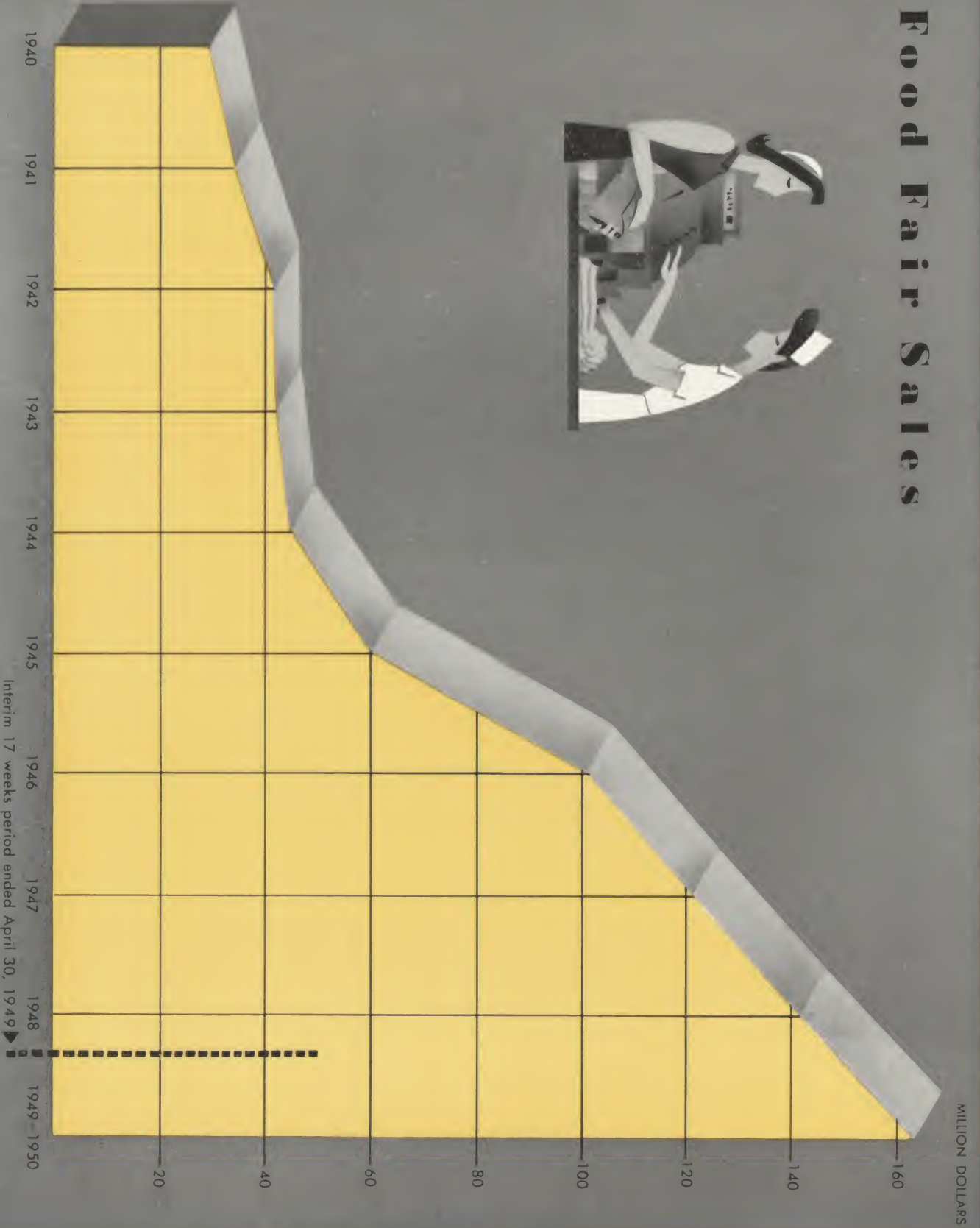
This thirty-year growth has been made possible by your Company's contribution to progressive food marketing which has enhanced the welfare of the many thousands of families residing in the communities which we serve. In addition, it has advanced the interests of farmers and food processors, as well as our shareholders and employees. It has paved the way for efficient, large-scale food production and processing, and has expedited the flow of foods from the farm to the family table. It has resulted in savings which permit many present comforts.

YEAR OF PROGRESS

It is pleasing to have occasion once again to report to the more than 5,000 men and women who have an investment in our Company another year of significant progress in Food Fair's long record of growth. Noteworthy gains were made last year in the number of our supermarkets operated, communities served, customers, in volume of business in both dollars and physical units, in wages and salaries paid to employees, in earnings, and in dividends distributed to shareholders. Our Company last year set new highs in all these phases of the business, although precise comparisons of operating statistics with the preceding year are unavailable because the Company's fiscal year was changed, effective last year, to end in each year on the Saturday nearest April 30.

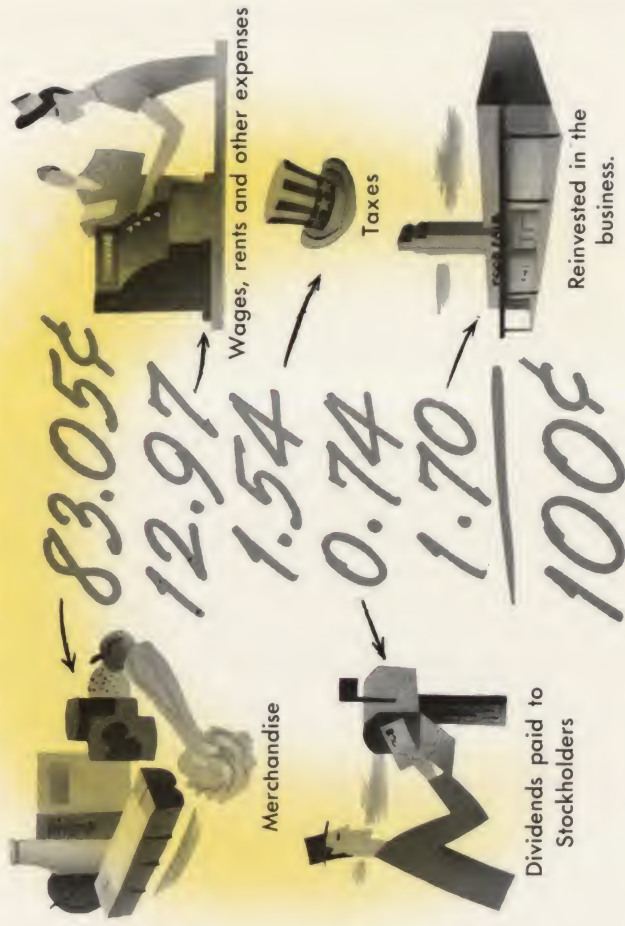
The year's accomplishments are especially gratifying when viewed in the light of results recorded during the period by the retail food business as a whole. Dollar sales of retail food stores declined moderately in 1949, according to statistics compiled by the United States Department of Commerce. This decline is accounted for largely by a decline in food prices during the year. Food costs in December, 1949, were lower by about four percent as compared with December, 1948, Department of Commerce

Food Fair Sales



MILLION DOLLARS

The Food Fair Sales Dollar



statistics indicate. The same source reports further moderate shrinkage in both food costs and dollar volume of business of retail food stores in the four months ended April 30, 1950.

SALES

Sales of Food Fair Stores, Inc. for the 52 weeks ended April 29, 1950, reached a new annual high, at \$164,625,893. The previous record high volume was the \$142,035,602 reported for the 53 weeks ended December 31, 1948, the preceding full fiscal year. It is an encouragement as well as a challenge that our Company last year increased its stature among the country's leading retail food chains on the basis of sales volume. It is noteworthy also that we maintained by a wide margin, our foremost position among these principal chains from the standpoint of per store sales. Our average retail sales per store for the year approximated \$1,300,000, calculated on the basis of the 113 supermarkets in operation on April 29, 1950.

EARNINGS

Net income earned last year by your Company after all charges and taxes amounted to \$4,022,778. This profit, the largest in the Company's history, was equal, after allowing for preferred dividend requirements, to \$2.11 per share on 1,861,452 shares of common stock outstanding on April 29, last. In the 53 weeks ended December 31, 1948, net income of \$2,762,635 was earned, which represented after preferred dividend requirements the equivalent of \$1.44 per share on 1,842,769 shares of common stock outstanding at the close of the year.

Several factors contributed to the improvement in your Company's net earnings last year. One such factor was the rise in sales volume resulting primarily from the increase in number of Food Fair supermarkets and the modernization of older units in the chain. Helpful also was greater efficiency brought about by improvement in work control

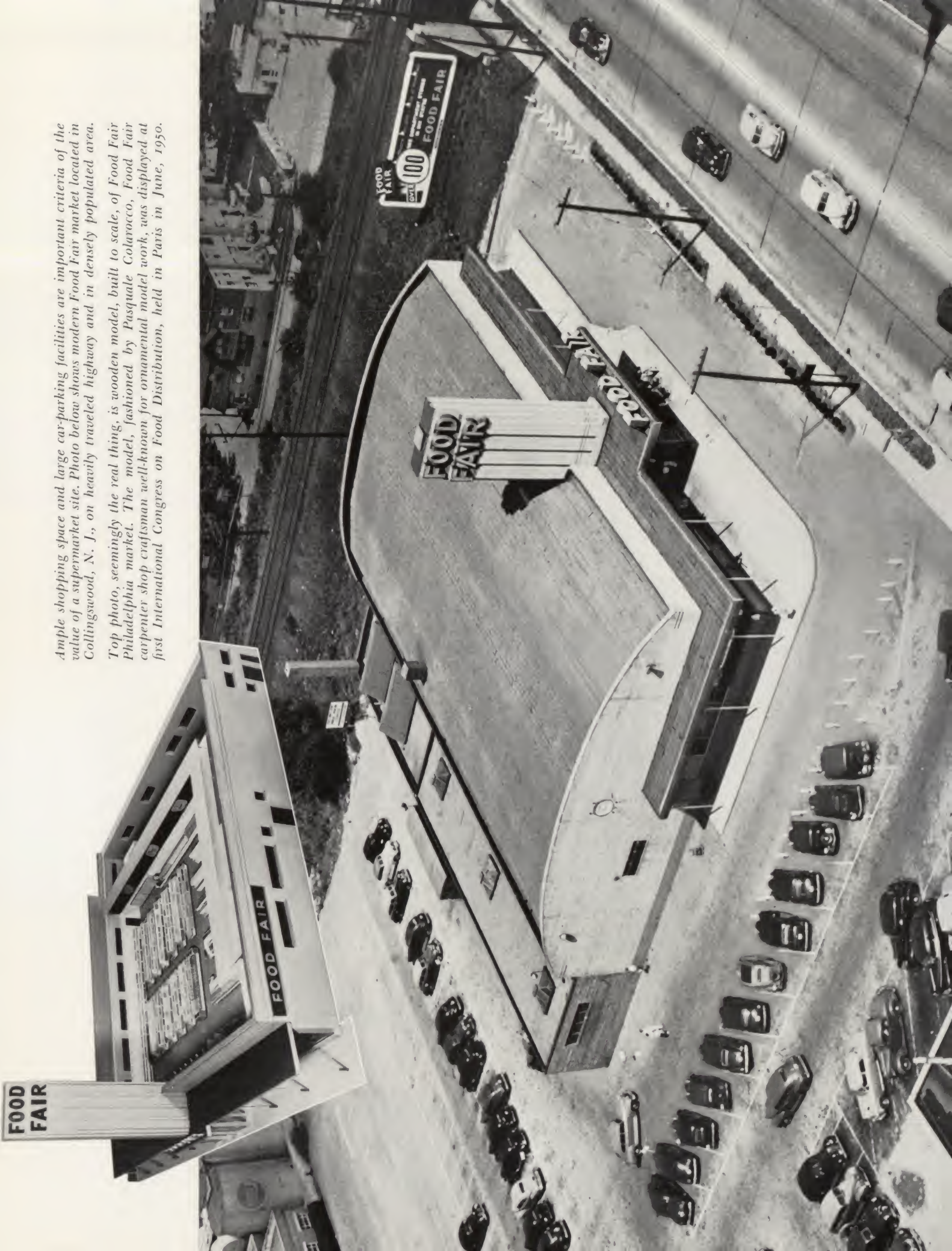
methods. These factors resulted in a moderate increase in profit margin in spite of the highest labor cost in the history of the Company.

In viewing last year's improvement in profit margin it should be borne in mind that the margin throughout the retail food business remains characteristically small relative to margins in other industries. Food Fair's net income per dollar of sales last year was 2.44 cents. The comparable figure for 1948 was 1.94 cents.

DIVIDENDS

Food Fair's Board of Directors has welcomed the opportunity to pay to the shareholders larger cash dividends, actual as well as relative to earnings. This has been done without sacrifice of our traditional, conservative dividend policy. There was ordered for payment to common shareholders on June, September and December 15, 1949, an extra dividend of five cents per share, in addition to the

Ample shopping space and large car-parking facilities are important criteria of the value of a supermarket site. Photo below shows modern Food Fair market located in Collingswood, N. J., on heavily traveled highway and in densely populated area. Top photo, seemingly the real thing, is wooden model, built to scale, of Food Fair Philadelphia market. The model, fashioned by Pasquale Golarocco, Food Fair carpenter shop craftsman well-known for ornamental model work, was displayed at first International Congress on Food Distribution, held in Paris in June, 1950.



other food merchandising innovations. The remodelled units also have prepackaged meat departments and other self-service facilities. All of them are contributing importantly to the Company's overall sales gains.

In April, 1950, premises in which four Food Fair supermarkets are operated were sold to the John Hancock Mutual Life Insurance Company, and leases covering the premises for terms of approximately thirty years, exclusive of renewal options, were arranged. Additional units are scheduled to be sold and leased back similarly.

Our coffee-roasting plant last year operated for the first time on a full-year basis. Its effectiveness is indicated in the fact that sales of Food Fair brand coffees for the year were 50 per cent larger than in the preceding year. The new plant not only permits better control of quality but also has resulted in important operating economies.

In the latter part of 1949 Food Fair initiated a test operation of warehousing and distribution of frozen foods. This resulted in greater efficiency in servicing stores and customers, as well as in a material increase in sales. Extension of this operation to the entire chain is being studied.

Early last year Your Company commenced its own trucking operations. At the close of the year the fleet operated consisted of 42 tractors, 83 semi-trailers and 20 trucks. The new all-aluminum equipment incorporates many features designed to safeguard merchandise and contribute to economical transportation from warehouses to outlying supermarkets. The fleet's annual mileage exceeds 2,200,000. A garage to service the new fleet has been built on a site adjoining the Philadelphia warehouse. Mechanical washing equipment installed in the new garage insures the utmost sanitation in transportation of Food Fair foods.

EXPANSION IN PROSPECT

Because of the attractive opportunities believed present, our expansion sights have been raised and we have embarked upon the biggest construction program in the Company's history. Our 1949-52 expansion budget calls

for the expenditure of approximately \$12,000,000. A new supermarket was opened on June 28, last, in Morristown, N. J. An older unit, in West New York, N. J., recently has been remodelled. Eighteen new units now are under construction. All of them will be air-conditioned and equipped with "electric eye" doors which open automatically.

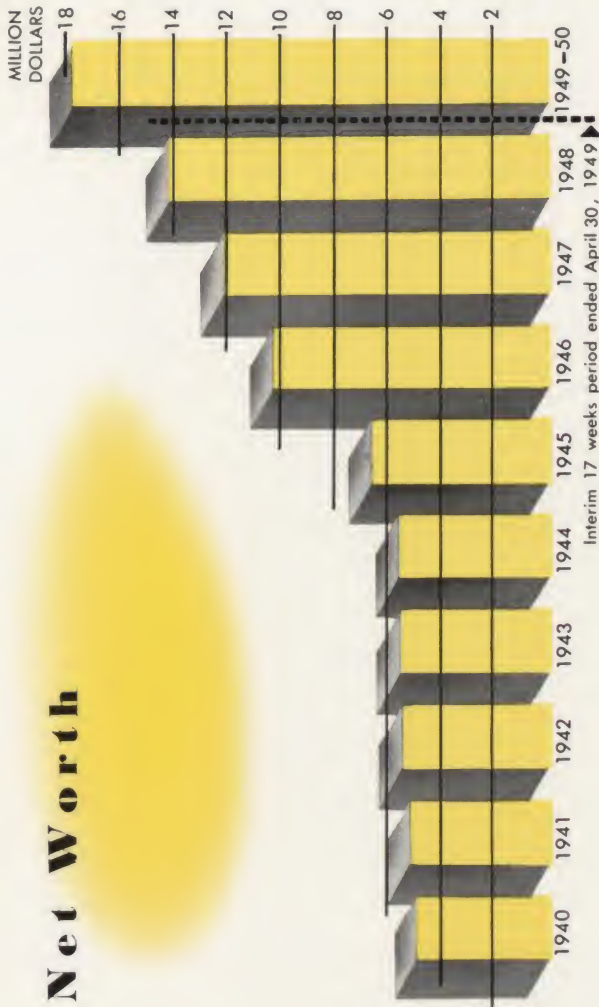
Sites have been obtained for still other markets. And leases have been negotiated for the location of Food Fair units in Manhattan and Bronx boroughs, N. Y., for the first time. The Bronx location adjoins the huge Parkchester building development of the Metropolitan Life Insurance Company. The Manhattan lease covers space in the new Port of New York Authority's Bus Terminal building. The latter will consist of an area on the ground floor with an entrance from Ninth Avenue, together with an area in the mezzanine adjoining the bus depot. Three new warehouses will be constructed . . . in Philadelphia, in Long Island and in Linden, N. J. . . . to service the expanded chain.

DEPARTMENTAL ADJUSTMENTS

Much of the responsibility for locating suitable supermarket sites is delegated first to the real estate department. With this division rests the job of studying population trends, the building of highways, home construction activities, development of new residential communities and many other vital statistics governing the location of supermarkets which require large capital investment. Food Fair's success in locating supermarkets has stemmed in considerable part from the foresight and judgment of its real estate department.

Upon the adoption last year of the biggest expansion program in the Company's history, Food Fair's real estate and insurance department was split up into two separate departments. The insurance department last year embarked upon a limited self-insurance program which has resulted not only in improved labor relations but in a substantial cost saving.

Net Worth



self-service meat and delicatessen operations, and comparative sales analyses.

FOOD FAIR PEOPLE

Research has had an especially important bearing on payroll which in the retail trade is the largest single operating cost item after merchandise is paid for. Notwithstanding the opening of new supermarkets and the remodelling of older units, close control over labor and other costs has been maintained. The Food Fair working family on April 29, 1950, comprised 6,300 men and women. High operating efficiency contributes to the well-being of the millions of housewives who patronize Food Fair supermarkets. It benefits farmers and food processors, as well. And, in its stabilizing influence, it provides greater job security for employees.

It is significant also that the rate of Food Fair personnel turnover declined materially in the 1949-50 fiscal year, to the lowest level witnessed in more than five years. This achievement resulted from such factors as high wages paid, careful selection of new employees, and close control of labor turnover for the purpose of minimizing training costs, unemployment compensation costs and State disability benefit expenses. The last-mentioned objective has been achieved through pre-employment physical examinations in the major communities which we serve.

During 1949-50 we distributed 69,356 copies of "The Food Fair Star," which is published ten times a year, by and for employees. During the year, 665 suggestions for changes in operating methods were received, and prizes were granted for 53 of the total number. Cash awards were made monthly and annually to drivers of the Food Fair fleet of trucks, for outstanding records of safety on the highways. The Food Fair "Always Be Courteous" program which provides courtesy awards to individual districts, supermarkets and employees, was supplemented in 1949-50 by "firing line" chats between top management and

RESEARCH

Emphasis on research has been an important factor in the growth of our Company since its early years. During the fiscal year ended April 29, 1950, our research department expanded the scope of its activities as an analytical, fact-finding arm of management. Particularly fruitful were its studies of ways and means to effect operating economies.

Substantial improvement in store operating efficiency resulted from intensive concentration on a productivity approach to payroll analysis and control. Thorough studies of trading areas, shopping habits and related factors in various Food Fair communities yielded information of great value in improving operations of specific supermarkets, in evaluating prospective store locations and in developing more effective sales promotion techniques.

Analyses of labor costs and personnel problems have provided useful findings. Other noteworthy research activities last year included: comprehensive analysis of commodity lines carried by our four grocery warehouses; studies of merchandise movements, by brands; surveys of

department managers in supermarkets extending from New York to Florida.

Esprit de corps was additionally heightened throughout the chain by such recreational activities as soft ball, basket ball and bowling contests as well as by picnics sponsored by the Company. On April 29, 1950, 779 employees proudly displayed gold emblems denoting 5, 10, 15 or 20 years of continuous Food Fair service.

CAPITALIZATION

To aid in financing the Food Fair expansion program, \$8,000,000 of 3% debentures maturing in 1965 were sold publicly in January, 1950, through Eastman, Dillon & Company, members of the New York Stock Exchange. Of the net proceeds, \$2,645,000 was used to retire on March 1, 1950, 3½ per cent debentures due on February 1, 1950. Of the remainder, \$2,000,000 was used to retire indebtedness due The Pennsylvania Company for Banking and Trusts and The Chase National Bank of the City of New York. The balance was added to working capital.

As of April 29, 1950, 1,861,452 shares of your Company's common stock and 40,154 shares of \$2.50 cumulative preferred stock were outstanding. The number of common shares was increased by 15,996 during the year as a result of the exercise of stock purchase options. The number of preferred shares was reduced by 1,926 in line with the purchase plan adopted when the stock was originally issued.

CONCLUSION

An annual meeting of shareholders of Food Fair Stores, Inc. will be held on Wednesday, August 30, 1950, at 11:00 A.M. (Eastern Daylight Saving Time), at the Company's offices at 2223 East Allegheny Avenue, Philadelphia, Pa. A notice of the meeting is enclosed herewith. It is hoped that shareholders will avail themselves of the opportunity to meet with officers and directors, and discuss the Com-

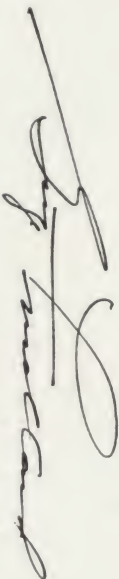
pany's affairs. We shall welcome from those who cannot be present any questions they may wish to have answered at the annual meeting.

Our Company's sights are set at the construction during the current fiscal year of a larger number of modern Food Fair supermarkets than has been built in any previous year. In addition, the modernization of many existing units is scheduled, and additional warehouse facilities will be built to service the enlarged chain. This record expansion program bespeaks the confidence with which your management views the future for supermarket operation, as we observe the thirtieth anniversary of the founding of the Food Fair business.

Although the rate of growth of supermarket operation during recent years has far exceeded the pace of growth of the retail trade as a whole, attractive opportunities for further expansion exist. The outlook is brightened by continued population growth, a record high level of home construction, the development of new residential communities in suburban areas and the further shift of population from one community to another.

Sales of your Company since April, 1950, when the fiscal year ended, have been well ahead of those for the corresponding period of the preceding fiscal year. Profit margins have been satisfactory, and indicated earnings have shown a favorable gain. With the full cooperation of all members of the Food Fair Family, we can look forward with confidence to the level of sales and earnings for the current year.

Sincerely,



President

July 25, 1950



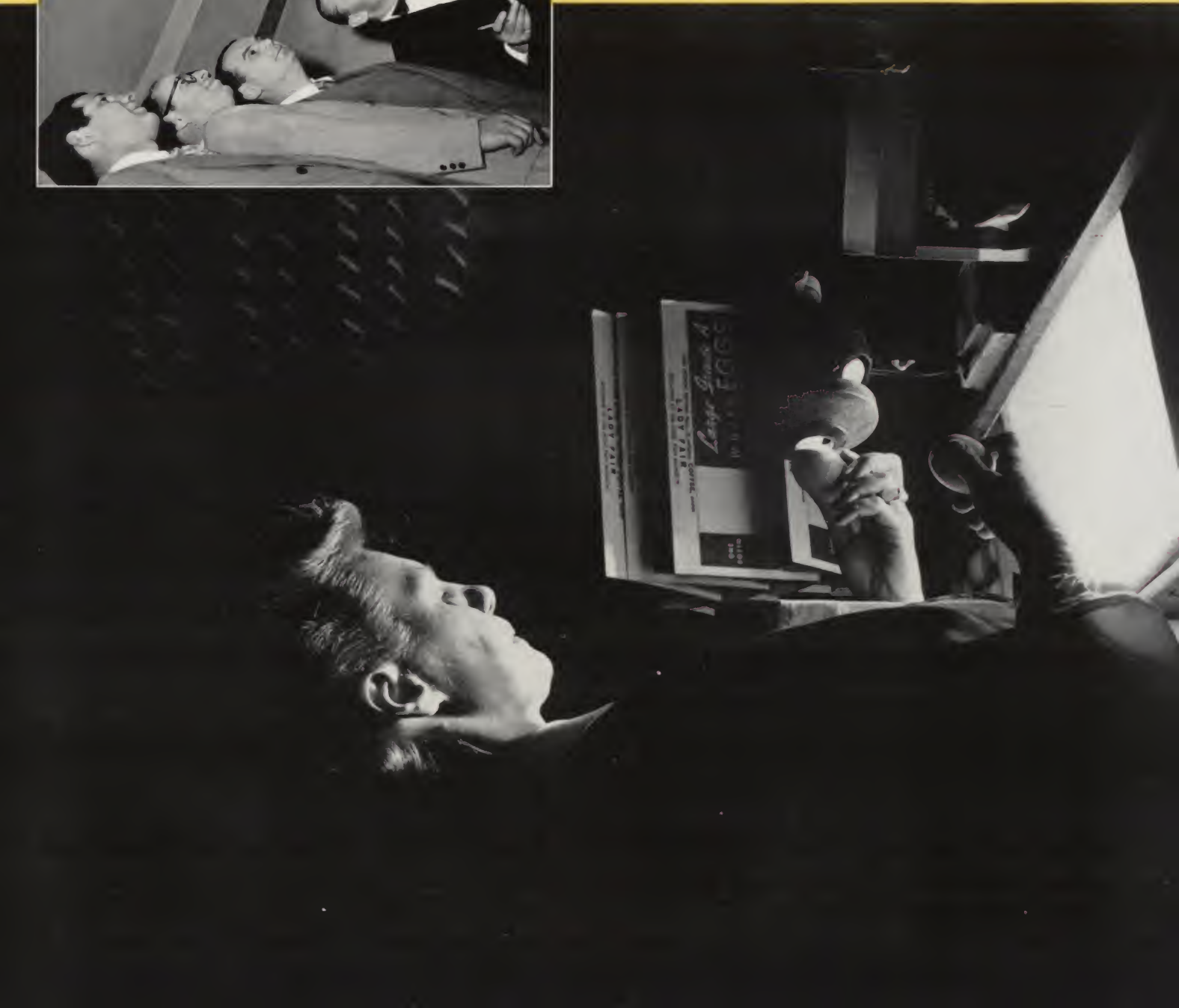
Expansion of business requires expansion of executive personnel. Junior executives confer with George Friedland, president, on general problems confronted in operation of the business.

“The supermarket operator must be something of a jack-of-all-trades. He must be a butcher, a baker and a candlestick maker in a very real sense. He must be a grocer, a druggist, a cosmetician; a storekeeper, a truck driver, a garageman; a labor arbiter, a realtor, an insurance expert; an architect, a builder, a banker; a market analyst, a scientific researcher, a warehouseman; a farmer, a meatpacker, a food processor. . . .”

GEORGE FRIEDLAND

Address before the Philadelphia Chapter American Institute of Banking, October 18, 1949

Each of the millions of eggs moved annually from farm to Food Fair warehouse must be candled; that is, rigidly inspected before high-powered candling light, according to size, shell color and quality.





Prices must be changed frequently in the highly competitive retail food business, so supermarkets must be supplied with kits of numbers mass-produced on press above, from red plastic material. Millions of numbers per year are punched out in Food Fair sign shop.



When thousands of checks must be paid out and accounted for weekly, check-making boxes to the machine age, as check tabulating machine above indicates.



Meat orders submitted by individual supermarkets are prepared in refrigerated vault in Philadelphia warehouse. Vault is fed by refrigerated freight cars.



In the early morning hours Food Fair trailer trucks loaded by night crews begin to roll from the Philadelphia warehouse on their appointed rounds to hungry supermarkets. Guard at main gate checks number of truck, time of departure, and seals on doors of truck for protection of merchandise.



Trucks from tow lines move to doors adjacent to delivery platform; are separated into groups for delivery to individual supermarkets. Fork truck carries skid load.



Artist prepares portion of thousands of feet of plexiglass sign trucks which designate different departments in Food Fair stores.

Construction and Maintenance

A closely knit, well organized Construction and Maintenance Department is of paramount importance if new Food Fair supermarkets are to be built, if other units are to be maintained in good order, and if store equipment is to survive retailing rigors. Food Fair's Construction and Maintenance Department consists of two divisions. One is devoted to the planning of the construction of new supermarkets and to major alterations of other units. The Department's other division is charged with proper maintenance of store equipment and installations. In the Department's big carpenter shop, diverse fixtures for all supermarkets are built.

The work of the Construction and Maintenance Department starts when the site of the new Food Fair supermarket has been leased or purchased. Then, the corps of architects and engineers in the Department's planning division sets to work on the basic problem of store design and layout. These experts not only prepare plans and specifications for the new supermarket but personally supervise the erection of the building and the preparation of the interior.

Some 160,000 square feet of asphalt tile flooring was used in the modernization of older units in the Food Fair chain in the fiscal year ended April 29, 1950.

About 190,000 square feet of terrazzo floor will be laid in the Food Fair supermarkets to be built during the year ahead.

Placed end to end, the slimline lighting fixtures to be installed in the new units now under construction would extend more than $1\frac{1}{3}$ miles.

More than 30 carloads of plywood are used annually in building fixtures for Food Fair supermarkets.

Shelf arms are rarely seen in Food Fair supermarkets, but it takes many of them to display thousands of products of many varieties. The photo at left, taken in Food Fair's carpenter shop, signifies that the production of shelf arms itself enters the "big business" category.



Food Fair Net In 17 Weeks At \$1,032,622

Food Fair Stores, Inc., reported a net income of \$2,132,639 for the period ending April 30, 1949. The net income was \$989,089 higher than the net income of \$1,148,550 for the period ending April 30, 1948. The net income was reported.

Newest Food Fair Store Will Open In Hollywood Soon; Modern Building

The tenth Food Fair store, and the first outside the Greater Philadelphia area, will go into operation next week at 2017 Tyler St. A new modern building has been erected by the Plak Construction Co. and is being prepared for occupancy.

Food Fair Stores Sales, Net to Hit New High In Current Fiscal Year

Food Fair Stores, Inc., reported that sales for the current fiscal year will reach a new high. The company's sales for the first 17 weeks of the year ended April 30, 1949, were \$1,032,622, compared with \$800,000 for the same period in 1948.

Food Fair Stores to Start Biggest Expansion in '50

Food Fair Stores, Inc., will start the biggest expansion program in its history in 1950. The company's president, George Friedland, announced that the company will open 10 new stores during the year.

Nine promoted to store managers by Food Fair

Nine store managers have been promoted by Food Fair Stores, Inc. The promotions were announced by the company's president, George Friedland, and the new managers will be in charge of the following stores: Philadelphia, Pa.; Trenton, N.J.; and Newark, N.J.

Food Fair Marks 30th Year With Four-Week Celebration

Food Fair Stores, Inc., today became known to Philadelphia as a four-week celebration of its 30th anniversary. The celebration will begin on April 30 and will continue through May 13, 1949.

Food Fair Stores Expected To Raise Dividend Again

Food Fair Stores is expected to raise its dividend again. The company's president, George Friedland, announced that the company will increase its dividend to \$1.00 per share for the year ending April 30, 1949.

Food Fair Plans DEBENTURE OFFER

Food Fair Stores, Inc., has filed a registration statement with the Securities and Exchange Commission for the offering of \$6,000,000 of debentures. The offering is expected to be completed by the end of the year.

Food Fair Stores Sales For 17 Weeks Ended April 30 Set New High

Food Fair Stores, Inc., reported that sales for the 17 weeks ending April 30, 1949, set a new high. The company's sales were \$1,032,622, compared with \$800,000 for the same period in 1948.

Food Fair Net Up As Sales Increase

Food Fair Stores, Inc., reported that its net income has increased as sales have risen. The company's net income for the 17 weeks ending April 30, 1949, was \$2,132,639, compared with \$1,148,550 for the same period in 1948.

News and Views of Investments

Investment opportunities are abundant in the food industry. The Food Fair Stores, Inc., is a leading example of a successful food retailer. The company's sales have increased steadily over the years, and its net income has also risen.

Food Fair Volume May Hit \$190 Million Rate

Food Fair Stores, Inc., is expected to reach a volume of \$190 million in sales by the end of the year. The company's president, George Friedland, announced that the company will continue its expansion program and will open 10 new stores during the year.

Food Fair Stores Plans \$12,000,000 Expansion

Food Fair Stores, Inc., has announced a \$12,000,000 expansion program. The program will involve the construction of 10 new stores and the renovation of existing stores. The expansion is expected to be completed by the end of the year.

Greatest in History Food Fair Stores Plans \$12,000,000 Expansion

Food Fair Stores, Inc., is embarking on the greatest expansion program in its history. The company's president, George Friedland, announced that the company will invest \$12,000,000 in the construction of 10 new stores and the renovation of existing stores.

The Year's Headlines

Those who undertake to feed Mr. and Mrs. America and their progeny assume a grave public trust. Inevitably, their activities are clothed with public interest. To maintain sound public relations it is not sufficient for Food Fair to provide comfortable shopping facilities in clean, friendly, and thoroughly informed of developments in the corporation's affairs. The daily newspaper remains the most effective instrument for gaining the attention of the public.

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Food Fair Stores, Inc. AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION—APRIL 29, 1950

CURRENT ASSETS:	
Cash	\$ 8,989,214.29
United States Treasury Notes	368,200.00
Accounts receivable	414,870.23
Inventories of merchandise and supplies at lower of cost or market	9,099,371.43
Federal and State income tax refunds receivable	221,627.87
Prepaid insurance, rent and taxes	282,882.94
	<u>\$19,376,166.76</u>
 Less: CURRENT LIABILITIES:	
Accounts payable	\$ 2,756,231.14
Accrued salaries and expenses	1,166,081.82
Federal and State income taxes payable, less \$2,137,000.00 United States Treasury Notes	388,018.70
	<u>\$ 4,310,351.66</u>
WORKING CAPITAL	\$15,065,815.10
 OTHER ASSETS:	
Investments, at cost	\$ 116,533.69
Land, at cost	2,428,466.20
Buildings and improvements, at cost, less \$1,553,464.11 allowance for depreciation	5,127,838.76
Fixtures and equipment, at cost, less \$1,883,124.22 allowance for depreciation	3,555,058.99
Miscellaneous other assets	790,495.96
	<u>\$27,084,218.70</u>
Deduct:	
Mortgages payable, due after one year	\$ 1,308,955.45
Fifteen year sinking fund debentures, 3%, due January 1, 1965 (Note 1)	8,000,000.00
Options outstanding for purchase of common stock (Note 3)	18,641.25
	<u>\$ 9,327,596.70</u>
NET ASSETS	<u>\$17,756,622.00</u>
 DERIVED FROM:	
Capital Stock:	
Preferred (Note 2)	\$ 602,310.00
Common (Note 3)	1,861,451.90
Surplus:	
Capital surplus	5,433,883.90
Earned surplus:	
Appropriated for retirement of preferred stock	708,458.76
Unappropriated	9,150,517.44
	<u>\$17,756,622.00</u>

Food Fair Stores, Inc. AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS AND EARNED SURPLUS FOR THE YEAR (52 Weeks) ENDED APRIL 29, 1950

Sales		\$164,625,893.24
Cost of Sales		<u>136,720,525.85</u>
Gross Profit from Sales		\$ 27,905,367.39
Operating Expenses		<u>21,192,076.95</u>
Profit from Operations		\$ 6,713,290.44
Other Income		<u>193,063.70</u>
Profit Before Interest Expense		\$ 6,906,354.14
Interest Expense		<u>354,333.23</u>
Net Income Before Federal and State Taxes on Income		\$ 6,552,020.91
Federal and State Taxes on Income:		
Federal income tax	\$2,375,591.64	
State income taxes	<u>153,651.61</u>	
Net Income		\$ 4,022,777.66
Earned Surplus, April 30, 1949		<u>7,083,125.10</u>
		\$ 11,105,902.76
<i>Deduct:</i>		
Excess of cost of 1926 shares of Cumulative Preferred stock redeemed over proceeds received at issuance thereof	\$ 8,257.69	
Dividends paid:		
In stock:		
2168 5/20 shares of common stock	24,454.50	
In cash:		
Cumulative preferred stock, \$2.50 per share	\$ 103,703.62	
Common stock, \$60 per share	<u>1,110,510.75</u>	
		<u>1,214,214.37</u>
Earned Surplus, April 29, 1950:		
Appropriated for retirement of preferred stock	\$ 708,458.76	
Unappropriated	<u>9,150,517.44</u>	
		<u>\$ 9,858,976.20</u>

Note: In accordance with the terms of the issuance of the cumulative preferred stock, \$100,000.00 of the foregoing net income was set aside during the year ended April 29, 1950, for the purchase and retirement of such stock.

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS FOR THE YEAR
(52 Weeks) ENDED APRIL 29, 1950

CAPITAL SURPLUS—APRIL 30, 1949	\$5,417,592.00
ADDITIONS:	
Excess over par value of proceeds received from issuance of 13,808 shares of common stock through exercise of employees' stock options	\$57,389.50
Excess over par value of proceeds received from issuance of 19 7/20 shares of common stock to consolidate scrip twentieths	174.15
Excess over amount assignable to capital stock of 2,168 5/20 shares of common stock issued as a stock dividend upon exercise of employees' options	22,286.25
Total	<u>79,849.90</u>
	\$5,497,441.90

Deductions:

Excess of cost of 1926 shares of cumulative preferred stock redeemed over par value less amount charged to earned surplus	63,558.00
CAPITAL SURPLUS—APRIL 29, 1950	<u>\$5,433,883.90</u>

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION—APRIL 29, 1950

NOTE 1—These debentures are subject to repayment through sinking fund operations beginning January 1, 1953 and on each interest payment date thereafter in the following principal amounts: to and including July 1, 1956, \$150,000.00; thereafter, to and including July 1, 1960, \$225,000.00; thereafter, to and including July 1, 1964, \$300,000.00.

The indenture contains restrictions as to the payment of cash dividends and the redemption and retirement of shares of stock of the Corporation. Of the earned surplus at April 29, 1950, the sum of \$3,089,180.71 is free of such restrictions.

NOTE 2—Preferred stock is \$2.50 Cumulative, \$15.00 par value; 187,080 shares are authorized of which 42,080 shares were issued and 40,154 shares are outstanding. This stock is redeemable at \$53.00 per share and holders

are entitled to preference in involuntary liquidation of \$50.00 per share. Under the terms of the issuance of the preferred stock, earned surplus of \$531,804.78 is restricted at April 29, 1950 as to the payment of cash dividends on common stock.

NOTE 3—Common stock is \$1.00 par value; 2,500,000 shares are authorized of which 1,861,451 18/20 shares (including scrip certificates) are issued and outstanding.

Options granted to certain employees and officers of the Corporation are outstanding to purchase before September 4, 1950, 66,280 shares of common stock at \$4.87 1/2 per share. In connection therewith, 10,416 13/20 shares of common stock are reserved for issuance as stock dividends upon exercise of these options.

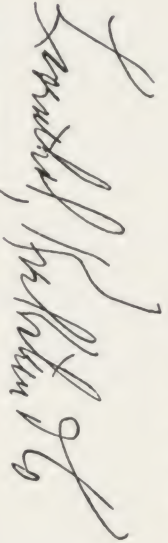
NEW YORK
PHILADELPHIA
HARRISBURG
WILKES-BARRE

LAVENTHOL, KREKSTEIN & CO.
Certified Public Accountants
1528 WALNUT STREET
PHILADELPHIA 2

Officers and Directors
Food Fair Stores, Inc.

We have examined the consolidated statement of financial condition of Food Fair Stores, Inc., and the wholly-owned subsidiary companies at April 29, 1950, for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statements of financial condition and related consolidated statements of earnings and surplus present fairly the consolidated position of the companies at April 29, 1950, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



LAVENTHOL, KREKSTEIN & CO.

Philadelphia, Pa.
June 15, 1950

Food Fair Stores, Inc.

OFFICERS

Samuel Friedland	<i>Chairman of the Board</i>	Herman Silver	<i>Vice-President</i>
George Friedland	<i>President</i>	Myer M. Gordon	<i>Treasurer</i>
Myer B. Marcus	<i>Vice-President</i>	B. F. Lieber	<i>Secretary</i>
Arthur Rosenberg	<i>Vice-President</i>	Joseph Rash	<i>Assistant Secretary</i>
Louis Stein	<i>Vice-President, General Counsel</i>	Samuel Forman	<i>Assistant Secretary</i>
	Abraham Maloff		<i>Assistant Secretary</i>

DIRECTORS

George Friedland	Philadelphia, Pa.	James P. Magill	Philadelphia, Pa.
Samuel Friedland	Philadelphia, Pa.	Myer B. Marcus	Philadelphia, Pa.
Myer M. Gordon	Philadelphia, Pa.	Arthur Rosenberg	Philadelphia, Pa.
Hess Kline	Philadelphia, Pa.	Harold W. Scott	Philadelphia, Pa.
	Louis Stein		Jersey City, N. J.

Transfer Agent

Registrar & Transfer Company
 50 Church St., New York, N. Y.
 15 Exchange Place, Jersey City, N. J.

Registrar

The Chase National Bank
 of the City of New York
 11 Broad Street, New York, N. Y.

EXECUTIVE OFFICES

2223 East Allegheny Avenue
 Philadelphia 34, Pa.

The Common Stock Is Fully Listed on the New York Stock Exchange.



Food Fair Supermarkets

NEW YORK

Astoria
Brooklyn
Freeport
Fresh Meadows (2)
Jackson Heights

NEW JERSEY

Atlantic City (2)
Belleville
Camden
Collingswood
East Orange
Elizabeth (4)
Englewood
Fair Lawn
Hackensack
Haledon
Irvington
Jersey City (3)
Montclair
Morristown
Newark (3)

New Brunswick (2)

Nutley
Passaic (2)
Paterson
Perth Amboy
Plainfield
Teaneck

Trenton (3)

Union City
West New York (2)

DELAWARE

Wilmington (2)

MARYLAND

Baltimore (13)
Catonsville
Mt. Rainier

FLORIDA

Coral Gables
Hollywood
Miami (8)

PENNSYLVANIA

Allentown (3)
Bethlehem (2)

Bryn Mawr

Chester (2)

Coatesville

Columbia

Easton

Harrisburg (3)

Jenkintown

Lancaster (3)

Lebanon

Lemoyne

Norristown

Philadelphia (12)

Quakertown

Reading (3)

West Reading

York (3)

VIRGINIA

Alexandria

S T O R E S I N C .



F O O D F A I R